
Health Care Reform Update

May 22, 2008



Although proposals for health care reform did not pass in the Senate Health Committee in January 2008, the Administration still considers health care reform a priority for the state of California. The Administration will persist in its push for comprehensive health care reform, and asks for the continued input of all stakeholders who have worked hard for health care reform in the past.

The Administration hopes to answer some key questions:

- How can we adjust the policy framework that Governor Schwarzenegger and former Speaker Fabian Núñez used for health care reform to gain greater support?
- How can we achieve comprehensive health care reform given the circumstances surrounding the budget deficit?

The Administration outlined a possible starting point for reengaging in health care reform:

- Phase I (Year One): Focus on issues and goals that do not impact the General Fund as a starting foundation for comprehensive reform.
- Phase II (Year Two): Focus on restructuring California's health care system, including coverage expansions and financing. This could include issues such as guaranteed issue and individual mandates.

In approximately one month, the Administration hopes to share language for Phase I, which may include budget-friendly solutions that we saw in recent reform proposals and see in current legislation. Efforts will focus on those issues that have shown the greatest potential for agreement – the “sweet spots” of recent proposals and legislation. This language looks to facilitate progress in three areas:

1. Cost Containment Issues

- 85% medical loss ratios (MLRs)
- Transparency of cost and quality for consumers and employers
- Patient health records (PHRs) for Medi-Cal and CalPERS
- Electronic transmission of medical documents among insurers, patients and providers
- Decreased state regulations surrounding lower-cost health care facilities like retail clinics
- E-prescribing
- Stricter reimbursement policies for “never” events
- Improvements for Workers Compensation
- Evaluation of “mandate” bills such that they do not increase premiums and insurance rates: mandates to “cover”, such as requiring individual policies to cover maternity benefits; mandates to “offer”, such as offering coverage for chiropractic services; or mandates to include, such as requiring plans to include chiropractors or nurse practitioners as part of their delivery network

2. Prevention

- Healthy Action Rewards

- Reduction of preventable adverse health outcomes, such as medical errors and hospital-acquired infections
- Increased state-of-the-art Medi-Cal disease and care management
- Ensured proper use of emergency rooms
- Engagement of low income mothers to reduce childhood obesity

3. Consumer Protections

- Prohibition of rescissions for those who do not intentionally misrepresent themselves on health insurance applications
- Prohibition of incentives and rewards for employees of insurers to initiate rescissions
- Uniform applications for health insurance
- Prohibition of balance billing
- Creation of standards for discount health plans
- Five tiers of individual market health insurance coverage options (i.e., categories)

Many at the meeting and on the phone voiced their strong opposition to the Administration's budget proposals to cut Medi-Cal and Healthy Families eligibility, rates and services, adding that it was counterproductive to the Phase II effort. Pulling funds from programs that currently protect vulnerable populations like low income children and families did not seem to be a sound framework for undertaking discussions of health reform.

The Administration recognizes this disagreement and hopes that open discourse will continue around the clock to determine the best way to find a balanced approach to the budget deficit and next steps on health reform. That is, how can we begin to resolve both issues?

Your ideas and input are valued and necessary to help the Administration avoid the draconian eligibility and rate cuts proposed while revitalizing and moving forward on aspects of health reform in 2008.